

Message Text

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ACTION OPIC-12

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AMEMBASSY RABAT

C O N F I D E N T I A L CASABLANCA 556

E.O. 11652: GDS

TAGS: ENRG, EIND, MO

SUBJ. MOROCCANIZATION: ESSO/GOM NEGOTIATIONS

DEPT PASS OPIC/ID AND USAID

REF: A) RABAT 1473 NOTAL; B) CASABLANCA 314 NOTAL

1. SUMMARY: ESSO REP REFUSES TO SUBMIT TWO AUDIT REPORTS GOM REQUESTED IN PREPARATION OF FIRST ROUND NEGOTIATIONS TO BE HELD JULY 16. CLASH OF PERSONALITIES BETWEEN ESSO AND GOM REPS MAY PORTEND DIFFICULT NEGOTIATIONS. ESSO HAS INDICATED PREFERENCE TO SELL OUT ITS TOTAL INTEREST FOR \$5 MILLION. END SUMMARY.

2. ON JUNE 26, JAMES SKANE, PRESIDENT-DIRECTOR GENERAL, ESSO STANDARD MAROC, HAD HIS INITIAL MEETING WITH OFFICIALS OF SOCIETY NATIONALE DES PRODUITS PETROLIERS (SNPP) WHO WILL ASSUME ON BEHALF OF GOM, 50 PERCENT-OWNERSHIP IN ALL FOREIGN OIL DISTRIBUTING COMPANIES IN MOROCCO. PRIMARY PURPOSE OF MEETING (AND SIMILAR INDIVIDUAL MEETINGS HAD, OR SCHEDULED, WITH OTHER FOREIGN OIL COMPANIES) WAS TO ESTABLISH THOSE
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REPORTS ESSO IS REQUIRED TO SUBMIT BEFORE SNPP COMMENCES ITS

NEGOTIATIONS TO ACQUIRE HALF-INTEREST IN ESSO. THE FOLLOWING IS A RECAP OF MEETING AS RELATED BY SKANE.

3. OF THE SEVERAL REPORTS MOHAMMED DOUIEB, DIRECTOR GENERAL, SNPP, CITED AS BEING REQUIRED FROM ESSO (I.E., LIST OF ACCOUNTS RECEIVABLES BY CUSTOMER, ORIGINAL BOOK VALUE AND SUPPLEMENTARY INFORMATION TO PUBLIC AUDIT REPORTS, ETC.), SKANE INFORMED DOUIEB THAT THE ONLY REPORTS HE WILL NOT RPT NOT SUBMIT ARE THE INTERNAL ANNUAL AUDIT REPORTS PREPARED BY PRICE WATERHOUSE & CRI (MAROC), AND AUDIT AND MANAGEMENT REPORTS PREPARED BY EXXON-NEW YORK. SKANE'S RATIONALE IN REFUSING TO SUBMIT THESE REPORTS IS THAT THEY ARE PAST HISTORY, WERE PREPARED FOR INTERNAL MANAGEMENT PURPOSES ONLY AND ESSO HAS SUBMITTED ITS REGULAR REPORTS TO THE VARIOUS GOM AGENCIES. DOUIEB COUNTERED SKANE'S REFUSAL WITH THE COMMENT THAT THESE REPORTS WILL BE AVAILABLE TO HIM WHEN SNPP BECOMES A CO-OWNER IN ESSO; SO WHY NOT RELEASE THEM NOW. SKANE'S RIPOSTE WAS "IF WE BECOME PARTNERS", AND THEN BROACHED THE SUBJECT OF SNPP BUYING ESSO'S TOTAL OWNERSHIP. DOUIEB, HOWEVER, CUT-OFF THIS SUBJECT BY STATING THAT HE IS AUTHORIZED TO NEGOTIATE ONLY 50 PERCENT-OWNERSHIP IN ESSO AND GOM IS NOT RPT NOT INTERESTED IN 100 PERCENT.

4. SUBSEQUENT TO THE MEETING, SKANE SET FORTH ESSO'S PREFERRED MANNER OF ACCOMPLISHING MOROCCANIZATION IN A LETTER DATED JULY 1 TO PRIME MINISTER OSMAN. IN ORDER OF PRESENTATION, ESSO REQUESTED:

A) PERMISSION TO SELL 50 PERCENT OF ITS SHARES TO PRIVATE MOROCCAN NATIONALS;

B) AN AGREEMENT IN PRINCIPAL FROM GOM THAT IT WILL BUY TOTAL OWNERSHIP OF ESSO; OR

C) AN AGREEMENT FROM GOM THAT IN THE EVENT IT SELLS HALF-OWNERSHIP TO SNPP, THE SALES PRICE WILL REPRESENT ACTUAL VALUE AND ESSO WILL RECEIVE PROMPT PAYMENT WITH PERMISSION TO REPATRIATE PROCEEDS IMMEDIATELY.

4. COMMENT: SKANE HAS HAD SEVERAL OCCASIONS TO NEGOTIATE
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THE SALE OF ESSO'S INTEREST TO OTHER GOVERNMENTS. ALSO, ONE MAY CHARACTERIZE SKANE AS A HARD NOSE BUSINESSMAN WHO IS BRUSQUE IN PRESENTING HIS POINT OF VIEW. GIVEN THE INDUSTRY'S DEPICTION OF DOUIEB AS BEING TOUGH, OPINIONATED, UNFRIENDLY TO PRIVATE OIL COMPANIES AND HAVING ALREADY ACCUSED SKANE OF BEING UNCOOPERATIVE, WE ANTICIPATE THAT THE ESSO/SNPP NEGOTIATIONS WILL BE CONSIDERABLY LESS THAN AMICABLE WHEN THEY BEGIN ON JULY 16.

6. WE TEND TO BELIEVE THAT ESSO'S OFFER TO SELL OUT IS NOT A NEGOTIATING PLOY. IF GOM CONSIDERS ESSO'S OFFER AS A BLUFF, IT MAY BE SURPRISED, AS WERE THE GOVERNMENTS OF INDIA AND MALTA WHEN ESSO DECIDED TO SELL ITS INTEREST TO THE GOI, AND CLOSED DOWN ITS MALTA INSTALLATION RATHER THAN ACCEPT THE PURCHASE TERMS OFFERED BY THE MALTA GOVERNMENT. ACCORDING TO SKANE, A PRICE OF \$5 MILLION WOULD BE ACCEPTABLE. END COMMENT.

7. WE WILL REPORT OUTCOME OF ESSO'S FIRST ROUND NEGOTIATIONS, AND STATUS OF NEGOTIATIONS RE MOBIL OIL AND TEXACO. FISHER

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